



Ninety-Seventh Legislature - Second Special Session - 2002
Introducer's Statement of Intent
LB 47

Chairperson: Senator Roger R. Wehrbein
Committee: Appropriations
Date of Hearing: August 5, 2002

The following constitutes the reasons for this bill and the purposes which are sought to be accomplished thereby:

LB 47 would accomplish two objectives: (1) On the effective date of the act, no new entities could apply for contracts for ethanol production credits and the Department of Revenue would not be allowed to enter into new contracts; and (2) the \$1,500,000 General Fund transfer into the Ethanol Production Incentive Cash Fund (EPIC) scheduled for September 15, 2002 would be cancelled.

It is estimated newly-constructed ethanol facilities will not begin to claim the 18 cent per gallon production tax credit until FY2003-04. The closing of the ethanol production facility in Sutherland also reduces the use of the EPIC fund in FY2002-03 by an estimated \$1,800,000. These factors, plus a carryover balance of over \$6,000,000 and estimated grain tax revenues of \$5,000,000 make it possible to eliminate the September 15, 2002 transfer.

LB 47 also prohibits new entities from applying for ethanol credits and prohibits the Department of Revenue from entering into new contracts on the effective date of the act. To date, over 20 entities have entered into contracts with the Department of Revenue to receive ethanol production credits. While it is anticipated that many of these contracts may not result in the construction of ethanol plants, they still represent a legal requirement that state will provide ethanol credits if the plants are constructed and are producing 100,000 gallons of ethanol a year by the statutory deadline of June 30, 2004.

The long-term picture for ethanol production tax credits will become clearer as the June 2004 deadline grows nearer, because the permitting, construction, and production start-up process can take up to 1 ½ to 2 years. The additional burden to the state may not only require the replacement of the \$1,500,000 General Fund transfer cancelled in LB 47, but also significant new or expanded funding sources. However, considering the current financial status of the state's General Fund and both the balance and the short-term demand upon the EPIC fund, LB 47 eliminates the General Fund transfer to EPIC for FY2002-03 only.

Principal Introducer: _____
Senator Roger R. Wehrbein
